



Department of Justice

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Eastern District of California

FOR IMMEDIATE RELEASE
Monday, September 29, 2008
www.usdoj.gov/usao/cae
Docket #: 06-cr-241-OWW

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FORMER MODESTO BUSINESSMAN PLEADS GUILTY TO SELLING FRAUDULENT HIGH-YIELD INVESTMENTS

FRESNO, Calif.—United States Attorney McGregor W. Scott announced today that JOHN MICHAEL PAPPAS, 45, formerly of Modesto, Calif., pleaded guilty to one count of mail fraud relating to his scheme to sell fraudulent high-yield investments.

This case is a product of an extensive investigation conducted by the Federal Bureau of Investigation and the Internal Revenue Service.

According to Assistant United States Attorneys Stanley A. Boone and Sheila K. Oberto, who are prosecuting the case, PAPPAS admitted that from 1998 to July 15, 2002, he defrauded his investors by selling them securities that promised rates of return between 12 to 14 percent per year with little risk. He sold investment opportunities in ATMs, pay telephones, and promissory notes that were secured by the defendant's own businesses and a gold mine. During this period of time, the California State Department of Corporations ordered PAPPAS to cease and desist selling his high-yield investment opportunities. Despite this cease and desist order, he continued to sell these programs to investors, using the investors' monies to pay other investors their promised monthly rates of return and for his personal expenses and not for the promised investment.

PAPPAS operated his scheme from offices in Modesto and Fresno using various business names such as Pappas Worldwide Inc., Pappas Electronics LLC, and others. As a result of entrusting their monies to him, most investors lost their entire investment and many lost their entire life savings and retirement. As part of the plea agreement, PAPPAS agreed that between \$2,500,000 to \$7,000,000 was lost by investors, that his scheme involved more than 50 victims who were vulnerable, and that he had violated a previously imposed judicial order against him not to sell unregistered securities.

PAPPAS faces a maximum of five years in prison and is scheduled to be sentenced on December 15, 2008 at 9:00 a.m.

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